



Vote YES on SB-247

Reciprocal Debt Collection Agreements

Background

Central Collection Services (CCS) is the central accounts receivable function for debts owed to State agencies and departments, as well as some political subdivisions around the state, including counties, municipalities and special districts. CCS operates through in-house collection efforts including letter series, direct calls, garnishments and offsets, as well as retained counsel and private collection agencies under contract with CCS. Debts are assigned to CCS after unsuccessful collection efforts by an agency or institution and when the debtor has refused to settle the debt owed. State agencies are currently owed \$681 million, and the average individual debt owed is \$1,581. Consumers are previously notified of the possibility of an offset and have an opportunity to pay the account prior to any offset occurring.

Bill Summary

SB-247 will allow the State to enter into a reciprocal agreement with the Federal Government and other states to collect debts owed to State agencies or political subdivisions. This will be accomplished through a process that matches payments (such as refunds, winnings, etc.) against debts. When a match occurs, the payment is offset (intercepted and reduced by the amount owed) to collect the debt. This allows the debt to be collected from the debtor out of the payment being made to them, *rather than the debtor receiving a payment and the debt continuing to burden taxpayers*. CCS currently performs offsets to State payments to pay debts owed to State agencies. SB-247 simply extends this same process to the Federal government for non-tax intercepts.

The State already participates in two other reciprocal agreements with the Federal Government. The first program has been in effect for a number of years and allows interception of Federal tax refunds to pay toward Colorado Department of Revenue State tax debts and vice versa. The second program allows interception of Federal tax refunds to pay debts owed to the Colorado Department of Labor & Employment for certain fraud and unreported earnings accounts.

Example 1 (How CCS uses offsets under current law): John is an electrician. He still owes \$100 to the local community college he attended. The community college has tried, unsuccessfully, to collect the \$100 John owes and sends the debt to CCS. John receives several communications from CCS, including official letters and possibly phone calls. John is hired to install a light switch in the State Capitol and will be paid \$300 for the work. When the State prepares to send John the payment for his services, CCS checks its records and finds the outstanding \$100 community college debt. CCS will notify John that his outstanding debt will be paid by offsetting part of his \$300 payment. John's \$100 debt will be paid and he will receive the remaining \$200. The community college is able to keep its rates low for the rest of the students who attend.

Example 2 (How CCS will use offsets after the adoption of SB-247): Jane owns a defense contracting business. One of her company's vehicles has outstanding Auraria Campus parking tickets totaling \$50. Jane's company does work for the U.S. Department of Defense at the Federal Center. When the DOD prepares to make a payment to Jane's company, it checks the records held by CCS and finds the \$50 debt. The payment to Jane's company will be offset by \$50 to pay the outstanding debt, the company will be notified of the paid debt and the remaining funds sent to Jane's company.

About Central Collection Services

CCS conducts in-house collection efforts including direct calls, garnishments and offsets, as well as retaining private counsel and private collection agencies. Since 1975, CCS has collected more than \$255 million for State agencies. Since 2006, CCS has collected \$1.4 million for political subdivisions.

CCS uses a variety of efforts to collect debts owed to State agencies and political subdivisions:

- *Demand for Payment Letters:* Debtors receive letters on State of Colorado stationery informing them of their obligation and demanding payment.
- *Phone Collection:* Debtors receive phone contact from CCS collection staff.
- *Tax Offset:* CCS can offset debtor income tax refunds, vendor payments, lottery winnings and gaming winnings to repay debts owed to the State. (SB-247 adds an additional offset by matching non-tax Federal payments and debts owed to State agencies and vice versa.)
- *Credit Bureau Reporting:* All accounts received are given a 30 day "window of opportunity" to pay in full. If this does not occur, then the account is reported to both Experian and TransUnion credit bureaus.
- *Litigation:* For accounts that refuse to pay, CCS may refer accounts to private counsel for litigation.

As a State agency, CCS has access to the Colorado Department of Labor & Employment's wage and employment history database, as well as the Division of Motor Vehicles. These allow CCS staff to identify a debtor's place of employment and help to build a financial picture of the debtor's ability to pay. This information is updated daily and provides debtor earnings going back two years. In addition to location of employment, CCS uses a proprietary skip tracing service and cross-reference directories to locate debtors that have moved and left no forwarding address.

These professional collection services are provided in support of Colorado State Agencies who rely on CCS to collect funds on their behalf, to support their operations and to retrieve the funds from those who owe the funds, rather than having those costs supported by the rest of the taxpayers.